

Message Text

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ACTION EA-12

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SUBJECT: FLESHING OUT THE BONES OF WAGE REFORM

REF: HONG KONG 3110

1. SUMMARY: BORROWING FROM SELECTED INCENTIVE SYSTEMS WHICH HAVE OPERATED FAIRLY SUCCESSFULLY FOR THE PAST SEVERAL YEARS, THE PRC'S WAGE REFORM PACKAGE WILL ALMOST CERTAINLY INCLUDE TIME RATE DIFFERENTIALS INCORPORATING THE PRINCIPLE OF HIGHER PAY FOR MORE ONEROUS AND HAZARDOUS WORK; PIECE RATES; PERIODIC BONUSES BASED ON GROUP FULFILLMENT OF PRODUCTION QUOTAS ACCORDING TO PRESCRIBED QUALITY SAFETY AND WORK ATTENDANCE STANDARDS; AND A LIMITED WELFARE SYSTEM OF ADDITIONAL CASH SUBSIDIES FOR THOSE SUBJECTED TO OCCUPATIONAL HAZARDS AND/OR PARTIALLY DISABLED FOR REASONS OF AGE OR HEALTH.
END SUMMARY

2. THE PRC MEDIA ARE TOUTING THE PRODUCTIVITY GAINS MADE IN VARIOUS INDUSTRIAL UNITS WHERE MATERIAL INCENTIVE SYSTEMS
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HAVE BEEN IN OPERATION FOR AS LONG AS FOUR OR FIVE YEARS. THESE SUCCESS STORIES PROVIDE FURTHER CLARIFICATION OF THE TYPES AND BASES FOR CALCULATION OF PEICE RATES, BONUSES AND OTHER CASH AWARDS SOON TO BE WIDELY POPULARIZED UNDER THE MARCHING ORDERS FOR WAGE REFORM (REFTEL).

2. AT CANTON'S WANGPU (WHAMPOA) HARBOR, A "LIMITED COLLECTIVE"

PIECE RATE SYSTEM WAS IMPLEMENTED IN 1973 TO ALLEVIATE THE SEVERE PORT CONGESTION CAUSED BY INEFFICIENCY IN THE LOADING AND UNLOADING OF GOODS (NCNA DOMESTIC SERVICE, MARCH 2). BLAME FOR THE CONGESTION PROBLEM HAS BEEN LAID ON POOR WORKER MORALE, TRACEABLE TO THE PREVIOUS SOLE RELIANCE ON A REGIME OF FIXED WAGE RATES. UNDER THE CURRENT SYSTEM, CARGO HANDLERS ARE PAID ACCORDING TO PIECE RATES CALCULATED ON THE BASIS OF A WORK UNIT'S OVERALL PRODUCTION PERFORMANCE. WHERE PIECE RATES ARE INAPPLICABLE, TIME RATES PREVAIL. IN CASES OF UNAVOIDABLE DELAY, E.G., WEATHER CONDITIONS PREVENT BERTHING OF SHIPS, WORKERS ARE PAID "ACCORDING TO THE LENGTH OF THE DELAY" (PROBABLY, FOR MOTIVATIONAL REASONS, ON A SLIDING SCALE, I.E., WITH RATES DECREASING OVER TIME).

3. INDIVIDUAL BONUSES, CONTINGENT ON FULFILLMENT OF PRODUCTION QUOTAS ACCORDING TO PRESCRIBED QUALITY STANDARDS HAVE BEEN PAID AT THE KAILUAN AND MAAN (KWANGTUNG) MINES SINCE 1973 AND 1974, RESPECTIVELY (NCNA DOMESTIC SERVICE, FEBRUARY 14; PEOPLES DAILY, MARCH 12). AT MAAN, QUARTERLY BONUSES ARE AWARDED SELECTIVELY TO "ADVANCED" WORKERS WHO HAVE MET PRODUCTION TARGETS. KAILUAN HAS IMPLEMENTED A MORE COMPREHENSIVE SYSTEM. BASIC PAY FOR COAL EXTRACTION AND TUNNELING WORKERS IS TWO WAGE GRADES HIGHER AND FOR AUXILIARY PIT WORKERS ONE WAGE GRADE HIGHER THAN FOR COMPARABLE ABOVE-GROUND WORKERS. PIT WORKERS RECEIVE ADDITIONAL HARDSHIP SUBSIDIES, AS DO THOSE WHO HAVE BEEN LIMITED OFFICIAL USE

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TRANSFERRED TO ABOVE-GROUND WORK DUE TO AGE OR HEALTH DISABILITIES AND FOR WHOM THE REDUCED TIME RATE PAY CREATES FINANCIAL DIFFICULTIES. MINERS WHO HAVE WORKED THE REQUIRED NUMBER OF HOURS ARE AWARDED MONTHLY BONUSES, RANGING FROM 5-12 YUAN, PROVIDED THE COAL FACE OR TUNNELING TEAMS TO WHICH THEY BELONG HAVE MET ASSIGNED PRODUCTION, QUALITY AND SAFETY TARGETS. CADRE WHOSE MONTHLY SALARIES DO NOT EXCEED 100 YUAN ALSO RECEIVE MONTHLY BONUSES CALCULATED ON A SLIDING SCALE, E.E., THOSE WITH HIGHER BASIC PAY RECEIVE CORRESPONDINGLY SMALLER BONUSES.

4. IN ALL CASES, AT WANGPU, KAILUAN AND MAAN, INTRODUCTION OF INCENTIVE SYSTEMS (NO DOUBT DEEMED NECESSARY PRIMARILY BECAUSE OF OUTDATED EQUIPMENT AND LOW LEVELS OF MECHANIZATION) IS CREDITED WITH HAVING SIGNIFICANTLY RAISED WORKER MORALE AND PRODUCTIVITY. INDICATIONS ARE, HOWEVER, THAT THE PROCESS OF IMPLEMENTATION HAS NOT BEEN ALTOGETHER SMOOTH. DISAFFECTION BETWEEN GROUPS FAVORED BY THE REWARDS AND THOSE WHO ARE NOT IS IMPLICIT IN THE ACKNOWLEDGMENT OF THE NEED FOR FURTHER IMPROVEMENTS AND REFINEMENTS. THE MAAN AND KAILUAN PARTY COMMITTEES FOUND IT NECESSARY TO "REPEATEDLY EDUCATE THE WORKERS TO VIEW THE REWARD SYSTEM WITH A CORRECT

ATTITUDE," AND "ENFORCEMENT" OF THE PIECE RATE SYSTEM AT
WANGPU IS RATHER DICTATORIALLY PRONOUNCED TO BE "IN ACCORD
WITH THE INTERESTS OF THE STATE AND THE WORKERS..." WHILE
EQUALITARIANISM MAY "DAMPEN THE SOCIALIST ENTHUSIASM OF THE
WORKERS" -- THE GOSPEL ACCORDING TO TENG -- THE PRC COULD
ENCOUNTER DIFFICULTIES IN MANAGING THE MASS AROUSAL
SHOULD INCENTIVE SYSTEMS BE SLOPPILY MANAGED OR VIEWED BY
WORKERS AS EMBODYING EXCESSIVE AND UNEQUAL PRIVILEGE.
GIVEN THE LABOR UNREST OF THE PAST SEVERAL YEARS, THE LEADER-
SHIP IS LIKELY TO BE ON PARTICULAR GUARD AGAINST THIS.
SHOESMITH

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